

Message Text

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11

ACTION NEA-09

INFO OCT-01 ISO-00 EB-05 RSC-01 DRC-01 /017 W

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R 120750Z JUN 74

FM AMEMBASSY KUWAIT

TO USDOC WASHDC

INFO SECSTATE WASHDC 9932

UNCLAS SECTION 1 OF 2 KUWAIT 2442

COMMERCE FOR DAVID WESTLEY/PETER HALE DIRA/OIM
(COPY MAILED TO AMBASSADOR IN BEIRUT)

E.O. 11652: N/A

TAGS: BEXP, KU

SUBJECT: TEXT OF AMBASSADOR'S ARTICLE TO U.S. BUSINESS
COMMUNITY

REF: A) STATE 102570 B) STATE 117193 C) STATE 119611

1. POST UNABLE TO CLEAR TEXT OF SUBJECT ARTICLE WITH
AMBASSADOR WHO VACATIONING IN LEBANON. HOWEVER, BELIEVE
ARTICLE STILL SHOULD BE RUN AS IS WITH HIS BYLINE UNLESS
YOU RECEIVE OTHER INSTRUCTIONS FROM BEIRUT.

2. TEXT OF ARTICLE FOLLOWS:

BEGIN TEXT:

A. KUWAIT IS LIKELY TO TRIPLE OR EVEN QUADRUPLER ITS
NATIONAL INCOME THIS YEAR DEPENDING UPON THE AMOUNT OF
OIL IT CHOOSES TO PRODUCE AND THE DURABILITY OF PRESENTLY
HIGH PETROLEUM PRICES. THIS SITUATION HAS COME ABOUT AS
A RESULT OF DECISIONS TAKEN BY THE ORGANIZATION OF PETROLEUM
EXPORTING COUNTRIES SINCE 1971 WHICH HAVE
RAISED THE POSTED PRICE OF KUWAIT'S CRUDE FROM \$2.08 TO
\$11.54 PER BARREL, AND KUWAIT'S RECENT ACQUISITION OF SIXTY
PERCENT EQUITY IN THE KUWAIT OIL COMPANY, THE LARGEST
PRODUCING COMPANY WITHIN THE COUNTRY.

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B. THE EFFECT THIS DEVELOPMENT WILL HAVE UPON KUWAIT'S

ECONOMY CAN ONLY BE COMPARED WITH THE YEARS IMMEDIATELY FOLLOWING 1946 WHEN FULL SCALE EXPLOITATION OF ITS PETROLEUM AND GAS RESERVES BEGAN. WHILE EVEN THE KUWAITIS WOULD PROBABLY NOT WISH FOR THE RETURN OF THOSE FRENETIC EARLY YEARS WHEN THE COUNTRY WAS RUDELY TRANSFORMED FROM A TRADITIONAL PEARLING, FISHING AND TRADING COMMUNITY INTO A FLOURISHING MODERN WELFARE STATE, IT IS NOT DIFFICULT TO FORESEE THE GOVERNMENT AND ITS CITIZENS EMBARKING ON A PROGRAM TO USE AS MUCH OF THIS NEW REVENUE AS CAN BE PRODUCTIVELY EMPLOYED IN RAISING THE ALREADY HIGH LIVING STANDARDS OF THE PEOPLE, FURTHER DEVELOPING THE STATE'S INFRASTRUCTURE, GREATLY STRENGTHENING AND DIVERSIFYING THE COUNTRY'S ECONOMIC BASE, AND CREATING CONDITIONS WHICH WILL ENSURE PROSPERITY FOR FUTURE GENERATIONS.

C. TO THIS END, THE GOVERNMENT WILL SPEND RELATIVELY LARGE SUMS ON PUBLIC SERVICES SUCH AS HOUSING, EDUCATION, RECREATION, PUBLIC UTILITIES, AND HEALTH CARE. SIMULTANEOUSLY IN AN ATTEMPT TO MAXIMIZE INCOME FROM ITS FOSSIL FUEL RESOURCES AND CONCURRENTLY REDUCE ITS DEPENDENCE ON THE PRODUCTION AND SALE OF PETROLEUM, THE GOVERNMENT, IN TANDEM WITH THE PRIVATE SECTOR, CAN ALSO BE EXPECTED TO DEVELOP A SOLID ECONOMIC BASE TO PREPARE FOR THE DAY WHEN OIL PRODUCTION PEAKS AND GRADUALLY TAPERS OFF.

D. ALTHOUGH IT IS STILL TOO EARLY FOR DEFINITIVE COMMENT REGARDING ALL THE MAJOR NEW PROJECTS THAT ARE TO BE UNDERTAKEN, MANY PROJECTS ARE ALREADY WELL ALONG. IN 1975 KUWAIT WILL START CONSTRUCTION OF A NEW UNIVERSITY CAMPUS, COMPLETE WITH MEDICAL SCHOOL, WHICH WILL EVENTUALLY ACCOMMODATE 16,000 STUDENTS AND LESSEN THE COUNTRY'S DEPENDENCE ON FOREIGN UNIVERSITIES FOR THE HIGHER EDUCATION OF ITS CITIZENS. IN THE PRIMARY AND SECONDARY SCHOOLS, THE MOST MODERN AND INNOVATIVE TEACHING AIDS WILL BE EMPLOYED TO ENSURE QUALITY EDUCATION FOR YOUTH. INDEED, THE MINISTRY OF EDUCATION IS ALREADY INSTALLING A CLOSED CIRCUIT TELEVISION SYSTEM IN ALL SECONDARY SCHOOLS. NEW TOWNS FOR BOTH LOW AND MIDDLE INCOME GROUPS WILL BE CONSTRUCTED IN A CORRIDOR STRETCHING BETWEEN KUWAIT CITY

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AND THE INDUSTRIAL AREA OF SHUAIBA, FORTY MILES TO THE SOUTH. IN THIS REGARD, A CRITICAL NEED FOR INDUSTRIAL HOUSING TECHNOLOGY EXISTS TO PROVIDE ADEQUATE LOW-INCOME PUBLIC HOUSING FOR OVER 18,000 FAMILIES PRESENTLY ON THE GOVERNMENT'S WAITING LIST. NEW HOSPITALS ARE BEING CONTINUALLY PLANNED AND BUILT, AND ADDITIONAL OUTLAYS CAN BE EXPECTED FOR CONVENTIONAL AND EVEN NUCLEAR POWER STATIONS, DESALINIZATION PLANTS, ROADS AND HIGHWAYS,

IMPROVED COMMUNICATIONS AND OTHER PUBLIC SERVICES.

E. IN THE INDUSTRIAL AND COMMERCIAL SPHERES, A MASSIVE LPG PROJECT ENGINEERED BY BECHTEL IS DUE FOR TENDER THIS FALL, AND A PETRO-CHEMICALS COMPLEX MAY WELL FOLLOW IT, USING THE BY-PRODUCTS OF THE LPG FACILITY FOR FEEDSTOCK. UNDOUBTEDLY KUWAIT WILL BUILD NEW EXPORT REFINERIES AND PRODUCT PLANTS IN ADDITION TO ITS PRESENT 180,000 BARREL PER DAY (BPD) NATIONAL REFINERY AND KOC'S SMALL REFINERY. NEW AND ENLARGED PORT FACILITIES WILL BE REQUIRED TO BERTH TANKERS WHICH WILL TRANSPORT THESE PRODUCTS TO WORLD-WIDE MARKETS. ALREADY KUWAIT HAS ON ORDER IN EUROPEAN AND JAPANESE SHIPYARDS HUNDREDS OF MILLIONS OF DOLLARS IN CYROGENIC AND SUPER TANKERS AND IS RAPIDLY EXPANDING ITS DRY CARGO FLEET. OUTSIDE THE PETROLEUM SECTOR, A SMALL ROLLING STEEL MILL AVAITS ONLY FINAL APPROVAL OF THE GOVERNMENT FOR TENDERING, AND OTHER FACTORIES TO PRODUCE TIRES, ALUMINUM, GLASS, BUILDING MATERIALS, CABLE AND WIRE, FERRO-SILICATES, CARBON BLACK AND A HOST OF OTHER PRODUCTS ARE DISTINCT POSSIBILITIES. IN SHORT, MAJOR OPPORTUNITIES AWAIT THOSE WILLING TO INVESTIGATE THE AREA FIRST HAND.

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R 120750Z JUN 74

FM AMEMBASSY KUWAIT

TO USDOC WASHDC

INFO SECSTATE WASHDC 9933

UNCLAS FINAL SECTION 2 OF 2 KUWAIT 2442

COMMERCE FOR DAVID WESTLEY/PETER HALE DIRA/OIM

F. ULTIMATELY, THOUGH, IT MUST BE ACKNOWLEDGED THAT KUWAIT HAS A SMALL, IF RAPIDLY GROWING, POPULATION OF LESS THAN A MILLION PEOPLE -- THE MAJORITY OF WHOM ARE NOT CITIZENS.

THIS MEANS THE ECONOMY CANNOT HOPE TO ABSORB MORE THAN A FRACTION OF THESE VAST NEW FUNDS. AS A RESULT MUCH OF THIS MONEY WILL BE CHanneLED INTO DEVELOPMENT PROJECTS ABROAD THROUGH THE KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT, SOON TO BE CAPITALIZED AT \$3.5 BILLION AND OTHER REGIONAL FINANCIAL INSTITUTIONS TO WHICH KUWAIT GENEROUSLY SUBSCRIBES. THIS MAKES KUWAIT A GOOD POTENTIAL SOURCE FOR DEVELOPMENT AND EQUITY CAPITAL IN LESS AFFLUENT ARAB, AFRICAN, AND ASIAN STATES. MOREOVER, OTHER LARGE SUMS OF MONEY WILL BE RECYCLED BACK TO THE MAJOR PETROLEUM CONSUMING STATES TO ENSURE A SOUND RETURN ON EQUITY AND TO PRESERVE THE COUNTRY'S WEALTH FOR FUTURE GENERATIONS. HOW CAN THE UNITES STATES' BUSINESSMAN BEST TAP THIS LUCRATIVE MARKET? HE SHOULD APPLY THE SAME EFFORT AND ATTENTION HE WOULD DEVOTE TO STUDYING ANY NEW DOMESTIC MARKET BEFORE ATTEMPTING TO SELL HIS PRODUCTS OR SERVICES. OF COURSE, IN ADDITION, HE SHOULD UNDERSTAND THE FEW SPECIAL TWISTS RESULTING FROM EXISTING CULTURAL DIFFERENCES.

G. IT IS BY NOW A CLICHE, BUT NO LESS TRUE, THAT BUSINESS IN THIS PART OF THE WORLD IS BEST CONDUCTED, AT LEAST INITIALLY, ON A PERSONAL BASIS. THE BUSINESSMAN WHO TAKES THE TROUBLE TO PERIODICALLY ENSURE THAT HE OR A

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RESPONSIBLE MEMBER OF THE COMPANY VISITS HIS LOCAL AGENT (LOCAL AGENTS ARE A REQUISITE FOR DOING ALL BUSINESS OTHER THAN CONSULTING WORK HERE) WILL LIKELY FIND HIS REPRESENTATIVE RECIPROCATING HIS INTEREST THROUGH INCREASING SALES AND IMPROVING SERVICE ON HIS PRODUCTS.

H. PARADOXICALLY, KUWAITI BUSINESSMEN AND OFFICIALS ARE EXTREMELY PRICE CONSCIOUS, WHILE THIS ATTITUDE MAY DISSIPATE SOMEWHAT WITH THE GROWING INFLUENCE OF A YOUNGER POST-OIL GENERATION AND INCREASING SOPHISTICATION IN COMPARING UNIT COSTS OF PRODUCTS OFFERED, IT STILL REMAINS THE SINGLE MOST IMPORTANT FACTOR IN MANY BUYING DECISIONS. THIS NEED NOT HURT UNITED STATES FIRMS, AS PROVED BY MANY RECENT CONTRACT AWARDS WHICH HAVE GONE TO OUR COMPANIES IN THE WAKE OF THE DOLLAR'S INCREASED COMPETITIVENESS. OTHER MAJOR DETERMINATES INFLUENCING BUYING DECISIONS ARE AVAILABILITY AND QUALITY OF AFTER-SALES SERVICE, WILLINGNESS TO SUPPORT AN AGENT OR BUYER BY TRAINING HIS PERSONNEL TO OPERATE AND MAINTAIN EQUIPMENT WHEN APPLICABLE, AND ADEQUATE ARRANGEMENTS FOR TRANSPORTATION AND CONTINUOUS RESUPPLY.

I. MORE SUBTLE KEYS TO SUCCESS IN KUWAIT, AS ELSEWHERE, ARE INTANGIBLE QUALITIES SUCH AS PERSISTENCE, INITIATIVE, AND

IMAGINATION. KUWAIT, WHILE HAVING A WELL-TRAINED CADRE OF MANAGERS AND TECHNICIANS, STILL DOES NOT HAVE ADEQUATE HUMAN RESOURCES TO PLAN AND EXECUTE ALL THE PROJECTS PRESENTLY ENVISIONED. THIS MAKES IT INCUMBENT ON FIRMS INTERESTED IN PARTICIPATING IN THE ENGINEERING, CONSTRUCTION, EQUIPPING, AND MANAGING OF NEW INDUSTRIAL PLANTS AND OTHER MAJOR PROJECTS TO TAKE A COMPLETE SYSTEMS APPROACH TO THESE PROEJCTS - ESPECIALLY THOSE IN WHICH THE PRIVATE SECTOR PLAYS A DOMINANT ROLE. MOREOVER, IDEAS FOR DEVELOPING INDUSTRIES OR COMMERCIAL VENTURES BELIEVED SUITABLE FOR THE AREA, SHOULD BE PRESENTED UNHESITANTINGLY TO LOCAL BUSINESSMEN AND GOVERNMENT OFFICIALS. WE WOULD STRONGLY ENOCOURAGE THAT PROPOSALS BE PUT TOGETHER IN SUCH A WAY AS TO ENCOMPASS ALL PHASES OF PROJECT MANAGEMENT FROM DESIGN THROUGH OPERATION. ONE CAN BE ASSURED THAT SOUND PROPOSALS WILL GET AN ENTHUSIASTIC RECEPTION FROM KUWAITI BUSINESSMEN AND ENTREPRENEURS INCREASINGLY WORRIED BY INTERNATIONAL MONETARY

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UNCERTAINTIES AND SEARCHING FOR PRODUCTIVE LOCAL OUTLETS FOR THEIR RECENTLY REPATRIATED DINARS.

J. AS SHOULD BE EVIDENT, WE ARE ENTHUSIASTIC ABOUT THE POTENTIAL FOR INCREASING TRADE AND COMMERCE BETWEEN THE UNITED STATES AND KUWAIT. WE REALIZE THIS AREA IS UNFAMILIAR TERRITORY TO MANY US BUSINESSMEN AND THAT FEW US COMPANIES OR BANKS PRESENTLY MAINTAIN A PERMANENT PRESENCE IN KUWAIT. FOR THIS REASON WE ARE WILLING TO GO TO ANY REASONABLE LENGTHS TO ENSURE YOUR TRIP HERE IS OPTIMALLY PROCUTIVE AND USEFUL. PLEASE DO NOT HESITATE TO WRITE TO US AT P.O. BOX 77, KUWAIT, AND UPON VISITING THE COUNTRY, TO MAKE OUR EMBASSY YOUR FIRST POINT OF CONTACT. WE LOOK FORWARD TO ASSISTING YOU.

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